

United States Senate Committee on Finance

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SMITH-BAUCUS BILL CLEARS WAY FOR TAX-EXEMPT TRIBAL BONDS

Legislation would put tribal governments on equal footing with states, cities to fund projects

Washington, DC – U.S. Senators Gordon Smith (R-Ore.) and Max Baucus (D-Mont.) have introduced legislation giving Tribal governments limited ability to issue tax-exempt governmental bonds. The Tribal Government Tax-Exempt Bond Parity Act of 2006 places Indian Tribes on an equal footing with state and local governments to issue tax-exempt bonds to fund governmental programs from schools to roads to recreational facilities.

“Infrastructure improvements can be massive undertakings,” Smith said. **“We can’t expect Tribes to keep up with the needs of their members without the benefit of modern financial tools.”**

“Tribal governments should have the same resources that states and cities have to build decent public schools and pave safe roads, and tax-exempt bonds are a useful tool to fund those essential projects,” said Baucus. **“Congress needs to pass this bill and show a commitment to equality for native communities.”**

Funding for Tribal infrastructure, roads, housing, and schools currently depends largely on grants from the Bureau of Indian Affairs. The Indian Tribal Governmental Tax Status Act (1982) does not allow Tribes to issue tax-exempt bonds – because the “essential governmental functions” for which bonds must be issued are generally defined as projects of state and local governments only. Due to this difference, Tribal bonds generally require a higher interest rate and a prohibitive debt service.

The bill is expected to be referred to the Senate Finance Committee. Baucus is Ranking Member and Smith is a member of that panel, which oversees U.S. tax policy.

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